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Commerce

U.S. Expected To Allow Deals With Russians

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WASHINGTON, Dec. 28 — The Reagan Administration is expected to remove most controls before the end of January on exports of oil and gas equipment and technology to the Soviet Union, Administration trade officials said this weekend.

The move would be a response both to the depressed conditions of the American industry and the reluctance of United States allies to impose similar export restraints.

The industry and its supporters contend that European and Japanese suppliers have picked up business that might have otherwise gone to American exporters.

Share Less Than 2 Percent

The American share of total Western exports of such equipment has fallen from 25 percent before the ban eight years ago to less than 2 percent today, according to figures from the Petroleum Equipment Suppliers Association.

"The U.S. petroleum equipment and services industry has lost literally hundreds of millions (and quite possibly billions) of dollars and thousands of jobs as a result of the oil and gas control," said a statement from the industry trade association to the Commerce Department.

Based chiefly in the Southwest, the industry is in a region already hard hit by the decline in oilfield activity accompanying the collapse of world oil prices.

Sakharov a Possible Factor

The American move may also signal recognition by Washington of recent steps by the Moscow leadership of Mikhail S. Gorbachev to defuse the human rights issue, including the release of Andrei D. Sakharov, the physicist who returned to Moscow last week after seven years of exile in the city of Gorky.

The oil and gas controls were initially imposed by the Carter Administration in August 1978 in response to the trials of two Jewish dissidents, Anatoly B. Shcharansky and Aleksandr Ginzburg. Both have now been released from prison and are out of the Soviet Union.

Mr. Shcharansky, who is writing a book in Israel, is expected to address a Capitol Hill forum on human rights in the Soviet Union around Jan. 20.

A Reagan Administration official said the controls issue was now before an interagency trade committee and that, if a decision was taken, it would be announced by the Commerce Department in about three weeks.

The chief opponent is the Pentagon, arguing that oil and gas exports are the principal source of Moscow's hard-currency revenues, which are used to bolster military capability.

The Pentagon also says that some of the technology could have direct military applications, such as drill-bit machinery that could be used to make antitank projectiles.

There are two broad categories of export controls: those imposed for reasons of foreign policy and those for national security.

The foreign policy controls cover oil and gas production equipment, machinery and technology to manufacture such equipment and drilling fluids and other materials for enhanced oil and gas recovery. National security controls cover equipment of undisputed military potential.

Plan Covers Nonmilitary Exports

The proposal now being weighed is to end only the foreign policy controls, which cover more than 90 percent of potential exports.

The State, Commerce and other departments contend that, because of foreign availability, these controls have outlived their usefulness, Administration trade officials said. The Pentagon wants both the foreign policy and national security controls maintained.

One outside expert, Jan Vanous, research director of PlanEcon Inc., which studies the Soviet Union and Eastern Europe, said the controls "have died as a strategic issue." He noted that, with Soviet oil production this year up 3 percent, at 12.3 million barrels a day, close to the historical high, "the Soviets have shown they can do it alone."

'A Constructive Step'

Daniel Bond, Soviet specialist at Wharton Econometrics, added that "in terms of U.S.-Soviet relations this would certainly be a constructive step." He noted that the Russians might call for American equipment to help them lower their unusually high production costs.

Despite the decline in world oil prices, the Soviet Union maintains ambitious plans for oil and gas development, analysts here note. The five-year plan calls for an additional 10 percent increase in the 1986-90 capital investment budget for oil and gas, on top of a 31 percent rise for 1986. Drilling in western Siberia is expected to increase by 25 percent this year.

Against the increased activity projected for the Soviet Union, drilling expenditures in the United States have fallen by 70 percent this year.

Roger W. Robinson, former senior director for international economic affairs at the National Security Council, noted in remarks before a United States-Soviet trade forum last September that the Russians will probably seek American support for an offshore oil development project in the Barents Sea and possibly for other Soviet energy projects as well.

He also said he expected Moscow to ask for a one-year "trial" waiver of the Jackson-Vanik and Stevenson amendments to the Trade Act of 1974, which link American-Soviet trade to freer Soviet emigration. Jewish emigration is at the lowest level in more than a decade.

Effect of Democratic Gains

Democratic gains in the November elections could also affect the oil and gas policy, analysts said. The new chairman of the Senate Finance Committee is Senator Lloyd Bentsen, Democrat of Texas, who is anxious to help equipment companies such as Dresser Industries, the Halliburton Company and scores of others, most of which are in his state.

Senator Bentsen, whose committee writes trade as well as tax legislation, will be important to the Administration in shaping a trade bill. The Administration now says it wants trade legislation to strengthen competitiveness and give it authority to negotiate trade liberalization under the Uruguay Round.

But it is hoping not to get a bill laden with protectionist riders inviting a Presidential veto. Ending the oil and gas controls could facilitate working with Mr. Bentsen.

Maintenance of the oil and gas controls contrasts with the decision of President Reagan early in his first term to end President Carter's embargo on grain sales to the Soviet Union as both ineffective and harmful to American farmers.

Other Trade Accommodations

More recently the Administration has offered the Russians subsidized grain, removed restrictions on air service, and announced plans to end bans on imports of both Soviet nickel and fur skins.

After a meeting earlier this month with Soviet Foreign Trade Minister Boris I. Aristov, Commerce Secretary Malcolm Baldrige said that both Washington and Moscow would intensify efforts to help American companies land more Soviet business.

Excluding Soviet grain purchases, two-way trade with the United States last year was $1.4 billion, with the Soviet Union exporting $462.3 million and importing $897.7 million. That is less than half the volume of American trade with China.

The Russians have taken a number of steps to try to increase economic efficiency, including an invitation to capitalist companies to participate in joint ventures under rules permitting repatriation of profits and autonomy in decision-making. A number of American companies, including Dresser, the oil-equipment producer, have expressed keen interest.